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PROGRESSIVE CONSUMPTION TAX ACT OF 2016
SECTION-BY-SECTION

TITLE I: PROGRESSIVE CONSUMPTION TAX

Title I of the Progressive Consumption Tax Act (PCTA) creates a new chapter 30 in the Internal Revenue Code. Chapter 30 contains all provisions related to the Progressive Consumption Tax (PCT), including the imposition of the PCT, the definition of a taxable supply, providing for input credits, outlining administrative rules, and defining other terms.

Subchapter A. Subchapter A contains rules on the imposition of the PCT.

Section 3901. Section 3901 imposes a tax on each "taxable supply" at a rate of 10 percent of the "taxable amount." Section 3901 also "zero rates" goods, services, and other items exported out of the United States.

- Exported goods and services are zero-rated because the PCT is meant to capture consumption within the United States. Thus, when a good is exported out of the United States or a service or other item is used outside of United States, the rate of the PCT is zero. Under this version of the Progression Consumption Tax Act, goods must be exported from the United States within 90 days of the provider (the seller) providing an invoice for the supply. Requirements regarding invoices are outlined in section 3922.

Section 3902. Section 3902 defines the "taxable amount" – the amount on which the 10 percent PCT is imposed.

- Where money is the only consideration provided, the taxable amount is the price charged by the person supplying the good, service, or other taxable supply, plus all charges for transportation and other items (for example, insurance charges) payable to the supplier.

  The taxable amount does *not* include the PCT or state and local sales taxes.

- Where money is *not* the only consideration provided, the taxable amount is the fair market value of any non-monetary consideration plus the amount of money paid. For example, when a customer pays a seller with both money and goods, the taxable amount equals the money plus the fair market value of the goods. Transportation and other items payable to the provider are included in the taxable amount.

- For imports, the taxable amount is the customs value plus any duties imposed. The customs value includes invoiced charges for transportation and other items payable to the importer.

Section 3902 also contains a special rule for sales of used goods. The purpose of this rule is to balance the economic impact of the tax on a supply of a previously untaxed used good that is later sold and taxed.

Subchapter B. Subchapter B contains rules regarding which sales, exchanges, or other transactions, called "supplies," are taxable.

Section 3911. Section 3911 defines "taxable supply".

Under *Section 3911(a)*, taxable supplies come in two general categories.

- First, any property imported into the United States is a taxable supply. Since the PCT is meant to be imposed on consumption in the United States, the PCT applies to imports.

- Second, other than imports, a supply is taxable if:

  - the supply is provided by the provider (the seller) in the course of the provider carrying on a trade or business;

  - consideration is provided in return; and

  - the supply is made in connection with the United States.

  Because the PCT is meant to be imposed not only on private sellers or suppliers, but also on nonprofits and the governments when they engage in commercial activity, Section 3911 contains provisions to capture when those entities make "taxable supplies". For example, PCT will be imposed when the government sells a map of a national park, or when a nonprofit museum sells souvenirs at its gift shop. These rules are meant to ensure that private businesses are not at a disadvantage if nonprofits or governments engage in the same commercial activities.

Section 3911(b) defines "supply." "Supply" is a term that is broad and is meant to capture most purchases or transfers of property (real, tangible, and intangible), services, and rights.
However, services provided by an employee for his or her employer are not considered a "supply". Therefore, the salaries and wages earned by the employees and paid by their employers are not taxable.

Section 3912. Taxable supplies must be "made in connection with the United States." Section 3912 defines this phrase.

- A supply of *tangible property* is made in connection with the United States if the property is delivered or made available to the recipient in the United States. This includes property that is assembled in the United States or is eventually physically removed from the United States.

The “assembled in” provision addresses situations where parts of a final good are assembled or installed in the United States. For example, if a U.S. company purchases an aircraft from a company abroad, and that company imports the aircraft parts into the United States and assembles the aircraft in the United States, then the supply of the aircraft is considered made in connection with the United States.

The “removed from” provision is meant to capture supplies of goods that are later taken out of the United States. For example, if a U.S. company makes a sale of goods to a company abroad, and then ships those goods outside of the United States to the company abroad, the supply of the goods is a taxable supply. Note that if the goods are considered exported supplies under section 3901, the goods would be taxed at a zero rate.

- A supply of *real property* is made in connection with the United States if the real property is located in the United States.

- A supply of *anything else (services, intangible property, and other supplies)* is made in the United States if it is used, performed, or done in the United States or if it is provided through a trade or business in the United States.

  This rule for services, intangible property, and other supplies is written broadly in order to make sure that supplies that are consumed in the United States are considered made in connection with the United States.

Section 3913. Section 3913 explicitly exempts four supplies from tax. These include:

- the rental and leasing of residential real property, and the sale of any residential real property not considered new. Property is not considered new if it has been continually rented for five years, but is considered new if substantial renovations have been made to the property after the effective date of the Act.

  The exemptions related to residential real property are meant to lessen the tax burden on housing and to keep taxpayers who are selling their homes from being drawn into the administrative complications of collecting and remitting the PCT on a one-off transaction.

- Financial supplies. This narrow class of financial products and services, defined later in the legislation, are exempted in order to prevent the imposition of the PCT on returns to saving and investment.

- Supplies made by “nonparticipating small suppliers.” This provision exempts certain small businesses from the PCT regime. “Nonparticipating small suppliers” are those businesses with aggregate taxable PCT revenues of not more than $100,000 for the immediately preceding four calendar quarters. Small businesses who could be considered “nonparticipating small suppliers” but wish to participate in the PCT regime may elect to do so. The taxable PCT revenues of members of the same controlled group of corporations and all taxpayers under common control are aggregated for purposes of applying the threshold.

- De minimis supplies. These supplies are exempt because the cost of administering the PCT with respect to the supplies is greater than the revenue raised by taxing the supplies. The Secretary of the Treasury makes this determination pursuant to section 3932(b).

Subchapter C. Subchapter C contains rules regarding when providers (sellers) are entitled to input tax credits for the purchases they make in providing their own taxable supplies. Subchapter C thus provides the "credit" piece of the credit-invoice mechanism the PCT employs. Under the credit-invoice system, providers assess the PCT on their taxable supplies (as prescribed by Section 3901). However, providers who make taxable supplies are also permitted to reduce the amount of tax for which they are liable (see Section 3921) by input credits for PCT paid on business inputs (intermediate goods, services, machinery and other equipment, for instance).

Section 3916. Section 3916, the only section in Subchapter C, contains the rules related to these input credits.

- *Section 3916(a)* provides the general rule. Section 3916(a) essentially provides that taxpayers who are required to remit PCT on their taxable supplies can offset their PCT liability by the amount of tax imposed on their "creditable acquisitions" made with respect to their taxable supplies.

  In other words, taxpayers with a PCT liability may claim input tax credits equal to the amount of PCT previously paid with respect to purchases used to make their own taxable supplies. Note that PCT liability and credits are *not* matched for each individual item sold. Rather, aggregate credits are subtracted from aggregate PCT liability. This can result in a net liability or, in some cases, excess credits (see below).

- *Section 3916(b)* defines "creditable acquisitions." In particular, a creditable acquisition of a supply must be subject to PCT and must be for use in the trade or business of the taxpayer claiming the credit. As with the imposition of the PCT, parallel rules are provided to ensure that nonprofits and governments that have a PCT liability will be permitted to also claim input tax credits for their creditable acquisitions.

- *Section 3916(c)* contains two new refinements related to purchases used to make financial supplies.

  - First, this subsection creates a threshold for businesses that only make a small amount of financial supplies ancillary to their main line of business. Businesses that do not reach this threshold, called "qualified small financial suppliers," may claim full credits on the tax remitted on all of their purchases, even if those purchases are subsequently used to make exempt financial supplies. This subsection is intended to relieve businesses that make only a small amount of financial supplies from undertaking the administrative burden of allocating the tax paid on their purchases between their financial supplies and taxable supplies. Specifically, this subsection:

    - Defines "qualified small financial supplier" as a supplier that makes taxable purchases for the purpose of making financial supplies and the credits related to make those purchases does not exceed the lesser of $150,000 or 10 percent of the total amount of credit to which the supplier would be entitled.

        - These calculations are done every month, looking back over a 12 month period.

        - Aggregation rules identical to those used to determine whether a supplier is a "non-participating small supplier" (see section 3913(b)(3)) apply in determining whether a supplier exceeds the amounts above.

    - Second, this subsection creates a partial credit regime for certain purchases used to make financial supplies. Overall, the section is meant to provide a 60 percent partial credit for PCT paid on certain goods and services used by the purchasers of these goods and services to subsequently make exempt financial supplies. The purpose of providing this partial credit is to prevent the "self-supply bias" that can arise when credits are not claimable on inputs related to financial supplies. In particular, this subsection:

        - Provides that purchasers who make "partially creditable acquisitions" are entitled to partial credits at an applicable percentage;

        - Sets the "applicable percentage" at 60 percent; and

        - Defines the list of partially creditable acquisitions. This list of goods and services are considered most susceptible to self-supply bias based on the experiences of other countries with modern goods and services taxes.

- *Section 3916(d)* addresses situations where supplies are used only partly for a creditable purpose (for example, where the taxpayer purchases a computer that is used partly in his or her business, and partly for personal use). Credits are only permitted to the extent the purchased supply is used for a creditable purpose (that is, used in the taxpayer's trade or business, with parallel provisions for nonprofits and governments).

- *Section 3916(e)* addresses situations where a supplier has credits in excess of his or her PCT liability. Where that is the case, the excess credit is treated as an overpayment, and is refunded to the supplier. For example, this will often be the case with suppliers who are primarily exporters. Goods exported from the United States are zero-rated—the goods are taxable supplies, but PCT is imposed at a zero rate, because the exported goods are not consumed in the United States. At the same time, the exporting supplier is allowed to claim input tax credit for his or her purchases used to make the taxable supplies that are exported.

<u>Subchapter D.</u> Subchapter D contains various administrative rules.

Section 3921. Section 3921 makes clear that the supplier of the taxable supply is liable for the tax imposed by section 3901. Because the PCT is a tax on consumption, the incidence of the tax will fall on consumers. However, in general, providers (sellers) will be responsible for collection and remittance of the PCT.

In certain cases, Section 3921 provides that purchasers must themselves remit the PCT.

- First, purchasers must remit the PCT for imported goods. While the details are not explicitly outlined in this version of the Progressive Consumption Tax Act, the PCT for imported goods is meant to be collected at the border, much like current duties and other customs fees.

- Second, in the case of a supply other than a supply of imported goods, purchasers must remit the PCT if the supply is performed or otherwise done outside of the United States but is used in the United States in carrying on a trade or business (with parallel rules for nonprofits and governments).

  Those familiar with other goods and services taxes might recognize this provision as a "reverse charge" rule. Like reverse charge provisions in other countries, section 3912's reverse charge rule is intended to eliminate the advantage of purchasing services that are performed outside of the United States from a provider who is not required to remit PCT. Note that most private consumers will not be responsible for the reverse charge of the PCT, as they will not acquire the imported service for use in a trade or business.

Section 3922. Section 3922 outlines rules for invoices. Tax invoices, specifying the amount of tax paid, are required to be provided by providers of taxable supplies. No credits under section 3916 are permitted without an invoice. For purposes of claiming input credits, the invoice requirement can be waived in certain cases (such as where the taxpayer who is claiming the credit can demonstrate that he or she failed to receive an invoice without fault). Invoices must be furnished within 15 business days after the "tax point" of the supply (defined in section 3923).

Section 3923. Section 3923 contains filing rules. In general, taxpayers liable for the PCT must file a return for each "taxable period." For most taxpayers, a "taxable period" is a calendar quarter. However, businesses who make taxable supplies for any month in excess of $20 million must file monthly.

- PCT liability must be allocated to a taxable period if the taxable supply has a "tax point" within the taxable period. Tax point is defined as the earlier of the time when any income from making the supply is treated as received or accrued by the supplier, or the time when the supplier receives payment for making the supply. The "tax point" of an importation occurs when the property is entered for consumption in the United States.

- Credits are claimable for the taxable period in which the invoice related to the creditable acquisition is received.

Section 3924. Section 3924 allows the Secretary of the Treasury to prescribe regulations regarding the treatment of related businesses under the PCT.

Section 3925. Section 3925 requires the Secretary of the Treasury to submit semi-annual reports on the implementation and administration of the PCT.

Section 3926. Section 3926 requires the Secretary of the Treasury to prescribe regulations necessary to implement and administer the PCT.

Subchapter E. Subchapter E contains several definitions and rules that coordinate the rules of the PCT with certain income tax rules.

Section 3931. Section 3931 defines several terms related to the implementation of the PCT that are consistent with other Internal Revenue Code sections (such as "business," "business day," "person," "employee," and "United States."). Section 3931 also defines two terms specific to the PCT:

- The terms “provide” and “provider,” where used in new chapter 30, are meant to include the importation of property and importers.

- The term “financial supplies” is defined to include a very narrow class of financial products. This term is based on the Australian model of taxing financial supplies, which provides for a similarly narrow list.

Section 3932. Section 3932 contains special rules related to coordination with income tax provisions under subtitle A of the Internal Revenue Code. In particular, if an input tax is permitted with respect to the purchase of a taxable supply, for purposes of income taxes, that credit is treated as a reduction in the amount that the taxpayer paid for the supply. The amount allowable as a deduction for the PCT will be determined without regard to any credit.

Section 3932 also provides rules related to the computation of percentage depletion under Internal Revenue Code section 613, and allows the Secretary of Treasury to issue regulations related to the de minimis provision of taxable supplies.

Finally, Section 3932 provides that the PCT will be applied to supplies provided after December 31, 2017.

TITLE II: INDIVIDUAL AND CORPORATE TAX REFORM

Title II contains changes to the individual and corporate income tax code. On the individual side, Title II provides a significant exemption of $100,000 for joint filers, $50,000 for single filers, and $75,000 for head of household filers. The individual income tax is also simplified for all filers, and rates are reduced. Title II also provides for a rebate, structured as a refundable credit, which, along with the exemption, is intended to ensure that the entire system is at least as progressive as current law. Finally, the corporate rate is reduced.

Subtitle A: Subtitle A contains individual income tax reforms, including reducing rates and consolidating brackets, providing for a large family allowance, and simplifying the individual income tax by streamlining and repealing certain credits and deductions and repealing the alternative minimum tax. Subtitle A also contains a rebate targeted at low- and middle-income families to counteract the regressivity of the PCT.

Individual income tax reforms

Section 201. Section 201 contains individual rate reductions. Instead of the seven marginal brackets under the current system (with a top marginal rate of 39.6 percent), Section 201 prescribes three marginal brackets, set at 15, 25, and 28 percent.

- The 15 percent rate applies to taxable income up to $50,000 for single filers, $100,000 for joint filers, and $50,000 for head of household filers.

- The 25 percent rate applies to taxable income over $50,000 to $250,000 for single filers, over $100,000 to $500,000 for joint filers, and over $50,000 to $250,000 for head of household filers.

- The 28 percent rate applies to taxable income over $500,000 for joint filers, $250,000 for single filers, and $250,000 for head of household filers.

Section 201 also updates the current cost-of-living adjustments to reflect the new rates and the effective date of the rate changes. Adjustments are made for taxable years beginning after December 31, 2018; the new rates come into effect for taxable years after December 31, 2017.

Section 202. Section 202 amends the definition of "taxable income" to reflect the new "family allowance amount." The family allowance amount is $100,000 for joint filers, $50,000 for single filers, and $75,000 for head of household filers. Like, for example, the current standard deduction and personal exemption, the family allowance is subtracted from adjusted gross income (AGI) in order to determine taxable income.

- The family allowance, which is much larger than the standard deduction and personal exemption, is intended to replace the personal exemption for individuals and many of the deductions taken to reduce taxable income under current law (changes detailed later in the legislation). Individuals who have short taxable years will have their family allowance amounts prorated. The family allowance amounts are adjusted for inflation after 2017.

Section 202 also contains many conforming amendments to ensure the tax code reflects the switch to the family allowance for taxpayers whose current filing status, income tax computations, payroll tax withholding amounts, or other tax benefits depend on the taxpayer taking into account a personal exemption or standard deduction.

Section 203. Section 203 repeals the current limitations relating to itemized deductions, known as the PEP and Pease limitations, for tax years beginning after December 31, 2017. Section 203 also contains several conforming amendments related to the repeal of PEP and Pease limitations.

Section 204. Section 204 repeals the preferential treatment for capital gains. Capital gain income that qualified for this treatment is taxed at ordinary rates for tax years starting after December 31, 2017.

Section 205. Section 205 simplifies the income tax by repealing a range of personal, non-business deductions and credits, including tax benefits that are moot due to the family allowance, which eliminates an income tax liability for a broad range of taxpayers.

- The mortgage interest deduction, charitable deduction, deduction for state and local taxes, deduction for gambling losses, deduction for alimony payments, and deduction for investment interest are *not* repealed.

- Business-related tax benefits remain the same. Note that these business-related tax provisions retain incentives for important programs that affect many individual taxpayers, like incentives for employer-provided retirement plans.

- The alternative minimum tax is repealed.

Rebate

Section 206. Section 206 establishes a progressive tax rebate. This rebate, along with the family allowance, is intended to make the new system outlined by the Progressive Consumption Tax Act at least as progressive as under current law.

Specifically, Section 206(a) replaces current Internal Revenue Code Section 32 (the earned income tax credit) with a comprehensive earned income rebate.

- Pursuant to *Section 32(a)*, the new rebate is the sum of three parts: the earned income amount, the child benefit amount, and the additional child benefit amount. "Eligible taxpayers," defined later in the section, may claim the rebate.

- *Sections 32(b), 32(c), and 32(d)* outline the parameters for computing these amounts, which vary by earned income/adjusted gross income, filing status, and family size.

    - The earned income amount works much like the current law EITC. The amount is based on a percentage of earnings that will phase in at varying rates depending on filing status and then phase out at a rate of 5 percent once earned income or adjusted gross income (AGI) exceeds a set amount, again depending on filing status. The earned income amount will phase out completely before the taxpayer becomes liable for the individual income tax.

    - The child benefit amount is meant generally to replace the CTC and ACTC. The child benefit amount is phased in with earnings at a 15 percent rate; it would be capped at a maximum amount of $1,590 per child; and it would phase out with earned income or AGI at $75,000 or $110,000 for married filing jointly taxpayers at a rate of 5 percent.

    - Finally, the additional child benefit amount is meant to replace the EITC for children. Like the current EITC for children, the additional child benefit amount phases in as a percentage of earnings at a rate that depends the number of children and then phases out once earned income or AGI exceeds a certain amount.

The rates and amounts related to earned income amount and the additional child benefit amount are as follows:

Earned income amount

Single filer				Joint filers				Head of Household filers			
Earnings	Base Rebate	Phase in Rate	Phase out Rate	Earnings	Base Rebate	Phase in Rate	Phase out Rate	Earnings	Base Rebate	Phase in Rate	Phase out Rate
0	0	25.1%	0%	0	0	25.1%	0%	0	0	25.1%	0%
6,100	1,530	17.1%	0%	12,200	3,059	17.1%	0%	9,150	2,294	17.1%	0%
9,000	2,025	0%	5%	18,000	4,049	0%	5%	13,500	3,037	0%	5%
49,494	0	0%	0%	98,988	0	0%	0%	74,241	0	0%	0%

Additional child benefit amount

One Child				Two Children				Three or More Children			
Earnings or AGI	Base Rebate	Phase in Rate	Phase out Rate	Earnings or AGI	Base Rebate	Phase in Rate	Phase out Rate	Earnings or AGI	Base Rebate	Phase in Rate	Phase out Rate
0	0	11%	0%	0	0	17%	0%	0	0	19%	0%
20,000	2,200	0%	0%	20,000	3,400	0%	0%	20,000	3,800	0%	0%
25,000	2,200	0%	15%	25,000	3,400	0%	15%	25,000	3,800	0%	15%
39,667	0	0%	0%	47,667	0	0%	0%	50,333	0	0%	0%

- *Section 32(e)* defines "eligible taxpayer." An eligible taxpayer must live in the United States for more than one-half of his or her taxable year and must not be another taxpayer's dependent. In addition:
  - An eligible taxpayer may not be another taxpayer's qualifying child.
  - An eligible taxpayer cannot have claimed the benefits of current Internal Revenue Code section 911 (relating to certain elections made by citizens or residents of the United States living abroad).
  - Nonresident alien individuals are not eligible taxpayers unless they are treated as a resident of the United States by reason of an election under Internal Revenue Code section 6103.
  - Finally, no rebate is allowed unless an eligible taxpayer provides individual taxpayer identification numbers for himself or herself, his or her spouse (if applicable), and each qualifying child (if applicable). Special rules are provided to ensure fair treatment of military personnel stationed outside of the United States.
- *Section 32(f)* defines qualifying child in reference to Internal Revenue Code section 152(c).
- *Section 32(g)* defines "earned income" to include wages, salaries, tips, and earnings from self-employment. Income received from pensions and annuities, income of non-resident alien individuals that is not connected with the United States, amounts received for services provided by inmates at penal institutions, and certain subsidized work activities under the Social Security Act are not taken into account. A taxpayer may elect to include combat zone pay under current Internal Revenue Code section 112 as earned income.

  "Earned income" does not include federal government cash transfers such as Social Security and Supplement Security Income benefits. Major government cash transfer payments are adjusted using the Consumer Price Index (CPI); typically, the CPI-W (for urban wage earners and clerical workers) or CPI-U (for all urban consumers). Both of these indexes currently include taxes (such as sales and excise taxes) that are directly associated with the price of goods and services. Thus, the adjustment already associated with these programs should reflect any change in the price of goods due to the PCT. For example, households that receive Social Security benefits would see an increase in those benefits that accounts for the PCT.
- *Section 32(h)* only allows a rebate in the case of a taxable year that is a full taxable year (a period of 12 months), except in the case of the death of a taxpayer.
- *Section 32(i)* provides that the rebate amount will not be counted as income for certain means-tested programs.
- *Section 32(j)* requires the Secretary to determine the amount of the rebate under tables (an administratively simpler way for taxpayers to determine their rebate amount).
- As under the current earned income tax credit, *Section 32(k)* denies the rebate if a taxpayer has a certain amount of disqualified income. For this version of the Progressive Consumption Tax Act,

that amount is set at $5,000. “Disqualified income” means investment income like interest or dividends, tax-exempt interest, rents or royalties not derived in the ordinary course of a trade or business, capital gain net income, and net income from passive activities (defined under current Internal Revenue Code section 469).

As with the earned income tax credit, the intent of the disqualified income provision is to exclude taxpayers who have little earned income, but are nonetheless high-income taxpayers, from receiving the rebate. However, this intent must be balanced with the fact that many older Americans in particular may depend on some of these disqualified income sources. Thus, the $5,000 limit is informed by recent AARP data on the total income sources for Americans aged 65 or older. According to that data, which was compiled in 2012, the median interest, dividend, and rental income for Americans over 65 in the highest income quintile (the top 20%) was $3,454.

- *Section 32(l)* adjusts the earned income amount, child benefit amount, and additional child benefit amount to inflation.

- *Section 32(m)* provides restrictions on taxpayers who improperly claimed the rebate in the prior taxable year. These provisions are identical to those under current Internal Revenue Code section 32.

Section 206(b) provides conforming amendments.

Under Section 206(c), the comprehensive rebate provisions apply to taxable years beginning after December 31, 2017.

Other technical and conforming amendments

Section 207. Section 6 directs the Secretary of the Treasury to produce other technical and conforming changes necessary to reflect the changes in Subtitle A.

Subtitle B. Subtitle B reduces the corporate income tax rate.

Section 211. Section 211, the only section in Subtitle B, lowers the corporate income tax rate to 17 percent. The amendments made by Section 211 apply to taxable years beginning after December 31, 2017.

TITLE III: REFUND OF EXCESS PROGRESSIVE CONSUMPTION TAX REVENUE

One goal of PCT-based reform is to more reliably raise the revenues that we need to for real investments that benefit all taxpayers—such as investments in defense, health, education, and infrastructure programs.

However, the PCT is not meant to be a means to quickly raise revenues while disregarding the effects of higher consumption taxes on U.S. families and employers. Thus, Section 4 of the Progressive Consumption Tax Act includes a revenue “circuit breaker” mechanism to address these concerns and to benefit taxpayers.

Section 301(a) adds a new Section 6433 to the Internal Revenue Code that provides for a refund of excess progressive consumption tax revenue.

- *Section 6433(a)* provides that "eligible filers" may receive a "consumption tax refund amount" in any "qualifying excess consumption tax revenue year."

- *Section 6433(b)* defines "qualifying excess consumption tax revenue year" as any calendar year for which net consumption tax revenues exceed 10 percent of gross domestic product (GDP) for that year. "Net consumption tax revenue" means the amount of PCT collected under new section 3901 minus any credits allowable under new section 3916. Calendar-year GDP is estimated by the Department of Commerce.

- *Section 6433(c)* defines "eligible filer" to include any individual who, with respect to the qualifying excess consumption tax year, has filed an income tax return (which includes those who do not have an income tax liability but who have filed for a PCT rebate). However, "eligible filer" does not include nonresident aliens, individuals that have been claimed as dependents, or estates and trusts. A non-calendar year taxpayer's taxable year must overlap by at least six months with the excess consumption tax revenue year for that taxpayer to qualify to receive a refund of the excess consumption tax revenue.

- *Section 6433(d)* outlines how the consumption tax refund amount is computed. In formula form:

  Excess consumption tax revenue = x*(eligible filer, non-joint return) + 2x*(eligible filer, joint return) + 0.5x*(qualifying children)

  Thus, each eligible filer receive one "share" of the excess consumption tax revenue; joint filers receive two shares; and filers with qualifying children receive additional one-half shares. The ultimate amount of each share depends on the amount of excess consumption tax revenue.

- *Section 6433(e)* indicates that excess consumption tax revenue payments should be made a soon as practicable.

Section 301(b) contains conforming amendments.

Section 301(c) provides that the amendments made by Section 301 take effect as of the effective date of the Progressive Consumption Tax Act.